

Message Text

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C O N F I D E N T I A L CARACAS 10478

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1. I HAD A CONVERSATION YESTERDAY EVENING WITH DOLPH, PRESIDENT OF CREOLE, WHO SAYS THAT THERE HAVE BEEN NO REAL CONVERSATIONS BETWEEN THE FOREIGN-OWNED OIL COMPANIES AND THE GOV IN PAST SEVERAL MONTHS. HE ANTICIPATES THAT AFTER THE PRESIDENT'S REVERSION COMMISSION MAKES ITS REPORTS THE MORE LEFT-WING PARTIES WILL PRESS VIGOROUSLY FOR IMMEDIATE AND OUTRIGHT NATIONALIZATION BUT THAT PROBABLY(AS IN THE CASE OF THE IRON MINING COMPANIES) THERE WILL BE A PERIOD OF TRANSITION OF BETWEEN ONE AND TWO YEARS AS THE GOVT FEELS ITS WAY TO SEE WHETHER OR NOT IN FACT IT HAS THE MANAGERIAL AND TECHNICAL CAPABILITY OF RUNNING THE VENEZUELAN PETROLEUM INDUSTRY. MEANWHILE, AT LEAST AS FAR AS CREOLE IS CONCERNED, DOLPH HOPES TO KEEP ON A POLICY OF BUSINESS AS USUAL AND BELIEVES THAT HE WILL BE PERMITTED TO MAKE THE VERY SMALL PROFIT NOW PERMITTED UNDER VENEZUELA'S HIGH POSTED PRICES AND HIGH TAXES.

2. I ASKED DOLPH IF IN FACT THERE WERE NATIONALIZATION OF THE FOREIGN OIL COMPANIES NOW OPERATING IN HIS COUNTRY VENEZUELA COULD IN FACT KEEP UP PRODUCTION. THE CREOLE PRESIDENT REPLIED THAT PROBABY THERE WOULD BE A DIMINUTION IN OUTPUT BUT AS FAR AS POLITICS WAS CONCERNED THIS COULD BE PORTRAYED BY THE GOVT AS A PRUDENT CONSERVATION MEASURE. WHEN I INQUIRED IF THE WORLD'S

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LARGEST REFINERY, OWNED BY CREOLE AT AMUAY COULD KEEP UP

PRODUCTION, DOLPH REPLIED "YES". IT THEREFORE SEEMS THAT FOREIGN COMPANIES' FUTURE INTERESTS IN A VENEZUELAN NATIONALIZED PETROLEUM INDUSTRY WILL BE IN THE MANUFACTURE AND SALE OF THE PRODUCTS.

3. AS FOR THE LONG RANGE VIEW, DOLPH SEES NO RELIEF IN SIGHT. HE THINKS THAT AS LONG AS THE OPEC CARTEL DOES NOT BREAK ITS UNITED FRONT, CONSUMER COUNTRIES HAVE LITTLE HOPE OF SEEING PETROLEUM PRICES COME DOWN. HE DISAGREES WITH A RECENT ESTIMATE GIVEN ME IN WASHINGTON THAT IN FACT OIL PRICES AND SPECIFICALLY VENEZUELAN OIL PRICES MUST DECLINE OVER THE NEXT TWO YEARS.

3. DOLPH FEELS THAT US AND OTHER CONSUMING COUNTRIES MUST "TOUGH IT OUT" AND PREPARE THROUGH CONSERVATION AND THE DEVELOPMENT OF ALTERNATIVE SOURCES OF ENERGY TO ENTER A NEW ERA OF SELF-SUFFICIENCY WHICH WOULD THEN MAKE VENEZUELA AND OTHER PRODUCERS LESS IMPORTANT THAN THEY ARE NOW. GIVEN THE

HIGH CARDS IN THE OIL PRODUCING COUNTRIES' HANDS AND SPECIFICALLY, WITH REGARD TO VENEZUELA, THE HEAVY FEELING THAT THESE CARDS ARE SECURE IN THE HANDS OF CARLOS ANDRES PEREZ, HE THINKS THAT THERE IS LITTLE WE CAN DO TO REDRESS AN UNSATISFACTORY SITUATION. WE DO HOWEVER, HE ADD, HAVE A LARGE CAPACITY FOR MAKING MATTERS WORSE IF WE SHOULD MAKE THREATS WHICH PROVE TO BE EMPTY OR IF WE SHOULD INFLAME XENOPHOBIC SENTIMENTS BY PUBLIC CRITICISM.
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